

USAID/CENTRAL ASIA REGION - KAZAKHSTAN

RESULTS REVIEW AND RESOURCE REQUEST (R4)

4 April 2000

Please Note:

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Glossary of Acronyms

ABA/CEELI - American Bar Association/ Central and East European Law Initiative
ACDI/VOCA - Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance
ACLC - Asian Crossroads Loan Company
ADB - Asian Development Bank
AIHA - American International Health Alliance
ANESMI - Association for Independent Electronic Mass Media
ARD/Checchi - Associates in Rural Development
CAAEF - Central Asian-American Enterprise Fund
CAR - Central Asian Region
CDC - Centers for Disease Prevention & Control
DHS - Demographic and Health Survey
DOTS - Directly Observed Treatment Short Course
EBRD - European Bank for Reconstruction & Development
ENI - Bureau for Europe and the New Independent States
EU- European Union
FGP - Family Group Practice
FSN - Foreign Service National
FSVC - Financial Services Volunteer Corps
FY- Fiscal Year
GAR - General Abortion Rate
GDP - Gross Domestic Product
GOK - Government of Kazakhstan
HIV/AIDS - Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
HOPE - Health Opportunity for People Everywhere
IBTCI - International Business & Technical Consultants Inc.
IBRD - International Bank for Reconstruction & Development (World Bank)
ICMA - International City/County Management Association
IESC - International Executive Service Corps
IFAC - International Federation of Accountants
IFES - International Foundation for Electoral Systems
IMCC - International Management Communication Corporation
IMF - International Monetary Fund
ISAR - Initiative for Social Action and Renewal in Eurasia
IAS - International Accounting Standards
IUD - Intrauterine Device
KASE - Kazakhstan Stock Exchange
KDHS - Kazakhstan Demographic and Health Survey
KPMG - Klinveld Peat Marwik Georgeler
KTB - Computer Software for Tuberculosis Surveillance developed by CDC for Kazakhstan
LLR - Low Level Result
MOH - Ministry of Health
MOJ - Ministry of Justice
MPP - Mission Performance Plan
MSF - Medicine Sans Frontiers
NDI - National Democratic Institute

NGO - Non-governmental organization
NIS - New Independent States
NSC - National Security Commission
NBRK - National Bank of the Republic of Kazakhstan
OTC - Over-the-Counter
OSCE - Organization for Security and Cooperation in Europe
PCP - Primarily Care Practice
R4 - Results, Review and Resource Request
SKAL - Southern Kazakhstan Association of Lawyers
SME - Small and Medium-sized Enterprise
S.O. - Strategic Objective
SRO - Self-Regulatory Organization
TB - Tuberculosis
UN - United Nations
UNDP - United Nations Development Programme
UNHCR - United Nations Commissioner for Refugees
UNICEF - United Nations Children Fund
EU/TACIS - European Union / Technical Assistance for Commonwealth of Independent States
USAID - United States Agency for International Development
USAID/CAR - USAID/Central Asian Region
USIS - United States Information Service
WHO - World Health Organization
WTO - World Trade Organization

Kazakhstan

R4 Part I: Overview and Factors Affecting Program Performance

I. OVERVIEW AND FACTORS AFFECTING PROGRAM PERFORMANCE

Introduction

Kazakhstan continues to enjoy a special bilateral relationship with the United States because of its nuclear disarmament, U.S. investment, and environmental initiatives. It is the largest recipient of U.S. assistance in Central Asia. Throughout 1999, Kazakhstan worked closely with the United States on a range of non-proliferation initiatives under the Cooperative Threat Reduction program. During 1999, Kazakhstan moved toward compliance with the Kyoto Accords on Global Climate Change. Kazakhstan was the first USAID-assisted country to support the U.S. government position on this important environmental issue. In November 1999, Kazakhstan joined the United States in signing the Caspian Pipeline Accord. In December 1999, Kazakhstan signed the 2000 Bilateral Defense Cooperation Agreement.

In 1999, there were some setbacks in the U.S.-Kazakhstan relationship due to continuing corruption, flawed elections, illegal arm sales and local hassling of investors. In 1999, the United States held up new assistance to the Government of Kazakhstan because of the transfer of 21 MIG aircraft from Kazakhstan to North Korea. This hold was lifted when the United States was satisfied that Kazakhstan had fully investigated the matter and dealt with those involved.

The Development Challenge

Kazakhstan still faces severe challenges, following years of Soviet domination. Its business and industrial sectors are limited and there is a reliance on inefficient agricultural and mineral extraction systems, which exacerbate already fragile environmental situations. The recent resurgence of world prices for the country's principle exports has led to improvements in GDP and income. However, more citizens need to benefit from Kazakhstan's macroeconomic reforms. The social safety net has been weakened with declines in health status, benefits for senior citizens, and education opportunities. Dramatic increases in infectious diseases such as drug-resistant tuberculosis pose global threats.

National leadership remains committed to an open economy, financial reforms, civil society, health reform, and sound environmental policy. In the economic arena, Kazakhstan has put in place sound monetary and fiscal policies, and an innovative private pension system. The government has actively encouraged international trade and foreign investment. The national currency, the *Tenge*, remains fully convertible.

The majority of power generation facilities and coalmines have been privatized and the government has announced its intention to privatize the electric distribution companies. The government has established an independent regulatory entity for the power sector. In 1999, the government passed a series of environmentally sound oil and gas regulations that meet international standards. Two-thirds of all oil pumped in Kazakhstan comes from joint venture

operations with international petroleum firms. Energy and Environment activities are covered in detail in the Regional Presentation.

At the same time, the government has taken some steps to protect its vulnerable populations through reforms in the areas of health, housing and pension. Kazakhstan is beginning to improve efficiency, access to services, and the quality of health care. Building upon USAID's pioneering work in health reform in Kyrgyzstan, pilot programs in family group practice and new payment systems have demonstrated that cost-effective, quality services are possible and that health reform models can also work in Kazakhstan. The President has endorsed a plan to replicate nationwide the USAID health care reform model and a large IBRD loan is being developed based on the USAID approach. The introduction of new treatment protocols for tuberculosis (TB) is a major step toward containing this virulent disease that has reemerged in the post-Soviet period.

Government performance in democratic reform has been disappointing. Authority for all significant policy decisions remains centralized in the presidency. The leadership did not permit a fairly contested election for the presidency in early 1999. Instead, two opposition candidates, including a strong potential contender, were disqualified, leaving the outcome certain. In addition, government crackdowns on the media increased self-censorship and favored the incumbent. Freedom of assembly was at times restricted, and there were credible reports of numerous irregularities at the polls. In the October 1999 parliamentary elections there were some improvements. Candidate fees were significantly reduced and political parties were allowed to register and campaign. Candidate debates were covered by the media, which also broadcast statements from, and information about, a wide range of candidates. However, the leader of a main opposition party, the leading contender disqualified from the presidential election, was again barred from running for office. There were also reports of widespread abuses in the ballot counting.

It would be a mistake, though, to judge democracy assistance as a wasted effort in Kazakhstan. Electoral improvements adopted before the parliamentary elections were developed and implemented with the assistance of USAID grantees. Non-partisan domestic monitors trained and organized through USAID assistance collected much of the evidence that exposed problems throughout the electoral system. USAID training of independent media contributed to the noticeably improved coverage of the parliamentary elections. One promising development is that draft legislation calling for the election, rather than appointment, of village and rayon city mayors (akims) was recently submitted to parliament. In the area of civil society, where USAID has made by far its greatest investment in democracy, there have been great strides. There are now over 700 non-governmental organizations (NGOs) operating in Kazakhstan. A significant number of them are learning how to advocate their causes to the government. A NGO/ Parliamentarian Working Group is drafting new NGO legislation.

Partnerships, training and exchanges remained an important component of US assistance. USAID trained over 600 reform-minded government leaders and professionals, of whom 45% were women, in areas directly related to democracy and a free-market economy. USAID supports a number of partnerships that seek to build long lasting relationships between US and Kazakhstan institutions.

Other Donors

The IBRD provides technical assistance for economic restructuring and loans in areas of oil development, urban transport, social protection, public administration and finance, and enterprise development. New projects will address land registration, financial sector adjustment, private sector support, irrigation and drainage, water supply, agricultural privatization, fiscal reform and health. Late in 1999, Kazakhstan agreed in principle on the terms of a new IMF agreement. The European Union (EU), EBRD, ADB and major bilateral donors such as Germany, Britain, Japan, France, and Korea provide additional aid for programs pioneered by USAID.

FY 2001 Program

USAID has developed a new strategic assistance plan for 2001 – 2005. The highest priority assistance areas are economic growth, civil society, information dissemination (including public exposure of corruption) and health reform. USAID will increase work at the local or micro level to begin to bring the benefits of macro-level policy, legal and regulatory reforms to local institutions and citizens. An example of this approach is the Atyrau Regional Initiative. It is a public/private partnership designed to increase investment in a region of Kazakhstan that has significant human needs, despite its gas and oil reserves.

Economic assistance will focus on improving the business environment, business-related education, tax and budgetary reform, and financial mechanisms such as insurance, mortgages and micro-credit. In democracy, assistance will support citizen advocacy and lobbying, civic education, independent media, local government capacity building, and NGO sustainability.

In the social sector, USAID will continue to work with the Government on finding cost-effective market-oriented ways to provide essential health services. This will include adapting and building on the successful Kyrgyzstan model which integrates infectious disease control and family planning into independent family group practices. The IBRD loan will provide the capital necessary to replicate the models nationally. HIV/AIDS prevention activities will be introduced to fight the nascent epidemic. USAID will also work to strengthen NGOs working on health-related issues and to promote popular participation in health care. Health partnerships will support the transfer of technology in both academic institutions and primary care.

R4 Part II Results Review by SO

Country/Organization: Kazakhstan/USAID/CAR

Objective ID: 115-012-01

Objective Name: Increased soundness of fiscal policies and fiscal management

Self Assessment: On Track

Self Assessment Narrative: Three out of four targets were met, including the fiscal deficit and tax revenues as a share of GDP. Our efforts to achieve those targets were instrumental to Kazakhstan obtaining an IMF program in 1999. Given the highly negative economic environment in the NIS during 1999, these results are remarkably positive.

Primary Link to Strategic Agency Framework: 1.1 Private Markets

Secondary Link to Strategic Agency Framework:

- | | |
|--|---|
| <input type="checkbox"/> 1.1 Private Markets | <input type="checkbox"/> 1.2 Ag Development/Food Security |
| <input type="checkbox"/> 1.3 Economic Opportunity for Poor | <input type="checkbox"/> 2.1 Rule of Law/Human Rights |
| <input type="checkbox"/> 2.2 Credible Political Processes | <input type="checkbox"/> 2.3 Politically Active Civil Society |
| <input checked="" type="checkbox"/> 2.4 Accountable Gov't Institutions | <input type="checkbox"/> 3.1 Access to Ed/Girl's Education |

Link to U.S. National Interests: Economic Prosperity

Primary Link to MPP Goals: Economic Development

Secondary Link to MPP Goals (optional): Global Growth and Stability

Summary of the SO:

Under this SO, we are assisting the Government with improving its ability to collect revenues, manage its resources and implement the tax code. USAID began substantial work on this strategic objective in 1995. At that time, tax collections were about 12% of GDP, fiscal arrears were 6% of GDP and inflation was a resounding 60%. By 1999, tax collections were 14% of GDP, arrears had been slashed to a mere 2% of GDP and inflation was just 18% per annum. As the lead donor in the field of fiscal reform, USAID's efforts to achieve sound fiscal policies and management have contributed significantly to these results.

The direct beneficiaries of such improvements are the national and local government agencies that need tax revenues and sound budget policies, and those parties that are owed money by the government (i.e., arrears). Indirectly, all Kazakhstani citizens stand to benefit through the impact of fiscal policies on economic growth.

Three key results were determined to be necessary to achieve this strategic objective: 1) taxes that are more fairly and broadly applied and enforced; 2) clarified roles and responsibilities for

different levels of government; and 3) position of primary fiscal manager and regulator shifts away from the government.

Key Results:

This activity is well on track. We have met all four targets. Our efforts to achieve those targets were instrumental to Kazakhstan obtaining an IMF program in 1999. The target for the fiscal deficit as a share of GDP was 3.5%, the actual was estimated at 3.6%. This represents significant improvement over last year, where the ratio was 5.6%. Moreover, the target for tax revenues as a percentage of GDP was 14%. We estimate the actual to be 13.9%. This was also an improvement over the previous year. The revenue improvements were key to the improved deficit spending. More progress was made on establishing the roles and responsibilities of different levels of the government. In March 1999, a budget systems law delegated more responsibility to the local level for health, education and certain capital projects. However, more work must be done in this area, to ensure that key reforms in health care and education can be implemented effectively at the local level. This result is closely tied with another target that we achieved, which was the decentralization ratio. We had a target of 43%, we achieved a level of 46.5% - three points above target. This represents a significant increase over the past year, because new legislation introduced new sharing rates for key taxes. The government is implementing decentralization slowly. The work of OST under SO 2.1 complements this work in decentralization. We believe that the performance in this area could be substantially improved if the central government allows the local governments to develop new taxes and allows them control over the tax rates.

Performance and Prospects:

Kazakhstan made remarkable progress in the areas of tax and budget in 1999, despite a sluggish economy, the lingering negative effects of the Russian financial crisis, and difficult negotiations with the International Monetary Fund and World Bank.

Although substantial progress was made in 1999, the tax system still suffers from poor compliance. As a consequence, tax inspectors to focus their attention too much on those groups that are already paying substantial taxes and not enough on those groups that pay little or no taxes.

Thus, a critical need is to broaden the tax base. One way to accomplish this will begin in the spring 2000 through a major revision of the tax code. A primary purpose of this revision is to simplify the code and eliminate the many exemptions that have resulted in a disproportionate tax burden on select groups. USAID will support the drafting effort through our advisors' participation in a working group responsible for drafting. USAID will provide other support to the effort where appropriate.

Steady progress has been made in tax administration, including tax treaty administration and tax computerization. USAID-supported technical assistance led to a World Bank loan of \$17 million for tax computerization.

With substantial USAID support, major progress was made in 1999 in the budget area as well. Modifications to the Budget Systems Law in the first half of 1999 represented progress in the area of intergovernmental fiscal reform. In particular, progress was made in rationalizing the

system of expenditure assignments between central and local levels of government. In the area of budget management, progress has been noted as a result of the adoption of program budgeting. Finally, over the past year, the Ministry of State Revenues has agreed to a significant increase in its level of headquarters staff. This increase in staff should enhance the transparency and professionalism of operations, a major concern of foreign investors and the U.S. Ambassador.

We have had much success in improving the capacity for budgetary and capital planning in Atyrau. A resident budget advisor has been there since June 1999, and has provided assistance to the region in developing a 5-year capital budget and to the Atyrau government with program budgeting techniques. We expect that the 5-year capital budget will be completed by April 2000.

Possible Adjustments to Plans:

With USAID assistance in 2000, stronger efforts are expected in the area of tax administration, with the development of a tax auditing certification program, improvements in the presumptive taxation methodologies, and increased technical assistance in tax treaty administration. The USAID effort to improve treaty administration is supported strongly by the U.S. Ambassador. Also, to the extent possible, USAID will continue to provide assistance to local and regional levels of government. During 2000, USAID will also focus in the budgeting area on health care and education -- two priority areas for the government. For example, USAID is considering the expansion of this type of assistance to Shymkent. USAID will also work with the new Large Taxpayer Unit of the Ministry of State Revenues. This unit was created in early 1999, with a primary objective being increasing tax compliance from large taxpayers. The unit has been criticized sharply for its burdensome reporting requirements. USAID will work more closely with the Foreign Investors Council and the American Chamber of Commerce to help resolve problems with the unit. Finally, USAID anticipates working closely with the new Debt Advisor from the U.S. Treasury Department.

Other Donor Programs:

Ongoing efforts in the fiscal arena are coordinated closely with those of other donors. USAID provided substantial support to the World Bank computerization effort of the State Tax Committee, by performing a requirements analysis, implementation plan, and assisting with key areas in the procurement efforts. USAID will continue to support the World Bank effort by carrying out the implementation plan. EU/TACIS will be providing the Ministry of State Revenues with assistance in tax administration. We have worked closely with that donor to identify areas in tax administration that could benefit significantly from their assistance. They have proposed performing an evaluation of the current organization of the ministry to determine key areas for improvement. We had planned to undertake this effort. As a result of our coordination, however, we are able to focus more resources in budget assistance to the education and health areas. USAID also collaborates with the IMF and the World Bank on fiscal policy matters. The World Bank is continuing with a major treasury modernization project that involves technical advisors, training and equipment. We intend to strengthen these efforts over the longer run with assistance in government accounting.

Major Contractors and Grantees:

USAID activities are implemented through several USAID-funded contractors, particularly KPMG/Barents. The Academy for Educational Development (AED) coordinates participant training.

Performance Data Table

Objective Name: Increased Soundness of Fiscal Policies and Fiscal Management Practices			
Objective ID: 115-012-01			
Approved: 1996-12-07		Country/Organization: Kazakhstan, USAID/CAR	
Result Name: SO 1.2 Increased soundness of fiscal policies and fiscal management practices			
Indicator: General government deficit as a percent of GDP			
Unit of Measure: Percent	Year	Planned	Actual
Source: USAID Fiscal Reform Project, February, 1999	1995 (B)		3.0%
Indicator/Description: Expenditures less revenues as a percent of GDP	1996	2.9%	2.9%
	1997	2.5%	3.7%
	1998	5.6%	3.7%
	1999	3.5%	3.6%
	2000	3.5%	
Comments: The target for 1999 was adjusted to use the IMF's Enhanced Structural Adjustment Facility (ESAF) target, which takes into account higher government expenditures (in 1998) on the new pension program and other economic conditions. Subsequent years targets were also tentatively revised to reflect the underlying economic factors.	2001	3.4%	
	*This is the last R4 that we will use this indicator.		

Performance Data Table

Objective Name: Increased soundness of fiscal policies and fiscal management practices			
Objective ID: 115-012-01			
Approved: 1996-12-07		Country/Organization: USAID Kazakhstan	
Result Name: IR 1.2.1: Central government shifted roles and responsibilities as primary fiscal manager and regulator local government, state owned enterprise, and private sector			
Indicator: Decentralization ratio			
Unit of Measure: Percent	Year	Planned	Actual
Source: USAID Fiscal Reform Project, Kazakhstan	1996 (B)	40	39.0
Indicator/Description: Local government revenues as a percent of total government revenues.	1997	41	35.4
	1998	42	38.4
	1999	43	46.5
	2000	44	NA
	2001	45	NA
Comments: Performance here is against original strategy targets. Legislation has assigned more revenues to the local level, given more responsibility in the health and education sectors.			
*This is the last R4 that we will use this indicator.			

Performance Data Table

Objective Name: Increased soundness of fiscal policies and fiscal management practices				
Objective ID: 115-012-01				
Approved: 1996-12-07		Country/Organization: USAID Kazakhstan		
Result Name: IR 1.2.1.2: Roles and responsibilities of different levels of government clarified conditions.				
Indicator: Legal framework is established				
Unit of Measure: Yes/No/Partial		Year	Planned	Actual
Source: USAID Fiscal Reform Project, Kazakhstan		1995	NA	N
Indicator/Description: Yes/No/Partial		1996	Y	N
		1997	Y	N
		1998	Y	P
		1999	P	P
		2000	P	NA
Comments: While substantial progress was made in 1999, still more is needed to establish the legal framework. The target for 1999 and 2000 was adjusted for the fact that complete establishment of the legal framework in Kazakhstan is a longer-term effort.		2001	Y	NA
*This is the last R4 that we will use this indicator.				

Performance Data Table

Objective Name: Increased soundness of fiscal policies and fiscal management practices			
Objective ID: 115-012-01			
Approved: 1996-12-07		Country/Organization: USAID Kazakhstan	
Result Name: IR 1.2.3: Taxes are more fairly and broadly applied and enforced			
Indicator: Tax compliance rate			
Unit of Measure: Percent	Year	Planned	Actual
Source: USAID Fiscal Reform Project, February, 1999	1995 (B)	NA	12.2
Indicator/Description: Tax revenues as a percent of GDP	1996	13.0	10.51
	1997	13.0	12.5
	1998	14.5	12.2
	1999*	13.9	13.8
	2000*	14.5	NA
Comments: * Targets for 1999 + have been revised to the IMF Enhanced Structural Adjustment Facility (ESAF) targets. These targets are lower than in the Strategic Plan, based on a more realistic assessment of the length of time needed to fully implement the new tax system.	2001*	15.0	NA

Country/Organization: Kazakhstan, USAID/CAR

Objective ID: 115-013-01

Objective Name: Accelerated development and growth of private enterprises

Self Assessment: On Track

Self Assessment Narrative: Some indicators considerably exceeded targets, although private sector activity lagged because of the government's slow pursuit of privatization as well as because of the drag on the growth of small- and medium-sized enterprises caused by over-regulation and the continuing rent-seeking behavior of governmental officials. Still, Kazakhstan's private sector held its own in a year of financial crisis and low commodity prices.

Primary Link to Strategic Agency Framework: 1.1 Private Markets

Secondary Link to Strategic Agency Framework:

- | | |
|--|---|
| <input checked="" type="checkbox"/> 1.3 Economic Opportunity for Poor | <input checked="" type="checkbox"/> 2.1 Rule of Law/Human Rights |
| <input type="checkbox"/> 2.2 Credible Political Processes | <input type="checkbox"/> 2.3 Politically Active Civil Society |
| <input checked="" type="checkbox"/> 2.4 Accountable Gov't Institutions | <input type="checkbox"/> 3.1 Access to Education/Girl's Education |

Link to U.S. National Interests: National Security

Primary Link to MPP Goals: Regional Stability

Secondary Link to MPP Goals (optional): No Secondary Linkage

Summary of the SO:

A more vibrant private sector is the best hope for economic development in Kazakhstan. Recently, private enterprise has stagnated. The private sector is slowly recovering from the Russian economic crisis of 1998, with the economy growing by just 1% in 1999, largely due to abnormally low world commodity prices. While foreign institutional investors have not returned to Kazakhstan, local institutional and individual investors are again investing in the country's economy. This is evident from the fact that trading volume in stocks at the Kazakhstan Stock Exchange was over 100% greater in 1999 than during the previous year. International oil prices have rebounded, providing additional revenues to the government and private oil companies. In 1995, when USAID began working on this objective, 25% of GDP was generated by private enterprise. This percentage has since increased to at least 55%.

Although steady progress toward achieving this objective occurred in 1999, substantial obstacles remain. There are numerous reasons for this, including the still sluggish progress in privatization of the largest enterprises, and the relative isolation of the country from major world markets. The primary impediments to growth, however, continue to be over-regulation of the economy and rent-seeking behavior by government officials.

Improving the economic and legal framework for a market economy remains important, particularly for small- and medium-sized enterprises (SMEs). The direct beneficiary of accelerated development and growth of private enterprise will be the entire private sector of Kazakhstan. All citizens will benefit either directly or indirectly.

Three key results are necessary to achieve this strategic objective: 1) an improved operating environment for private sector growth; 2) improved human resources; and 3) increased availability and accessibility of capital and technological resources for the private sector.

Key Results:

During FY 1999, the operating environment for the private sector growth was improved with the passage of a number of key regulations and laws. For example, the Civil Code, Special Part and the Laws on Trademarks, on Patents, on Licensing and on Registration were improved with extensive USAID assistance. Also, critical decrees limiting the number of SME inspections were passed. Finally, a new Civil Procedure Code was adopted, at last replacing the Soviet Civil Code, introducing adversarial procedure and unifying the procedural rules for all civil disputes, including those between businesses. In all, a substantial base for economic growth has been laid.

In 1999, the number of people trained to function in a market economy far exceeded the established target. Several activities have contributed to this result including, the Trade and Investment activity, IESC volunteers, and volunteers under ACDI/VOCA's and Winrock's Farmer-to-Farmer programs.

Judicial training continued to be very well received in Kazakhstan and to exceed considerably its targets. Despite this, corruption persists in the courts. USAID also exceeded targets for its accounting training and enterprise conversion. Kazakhstan is a recognized leader in accounting reform in the FSU.

In 1999, the target for the volume of loan and joint venture funds invested in Kazakhstan was not met, because CAAEF tightened its credit review policies in order to reduce its delinquency rate, which had been disappointingly high.

Performance and Prospects:

An area of concentration for USAID is that of SMEs. According to official data, 87,000 enterprises with fewer than 50 employees were registered at the start of 1999. The contributions of SMEs to employment and GDP were estimated at 17% and 8% respectively for 1997. Much needs to be done to improve the business environment, particularly for SMEs. USAID/CAR will focus this SO on SMEs in our forthcoming new strategy.

Private sector support represents by far the largest USAID activity in Kazakhstan. In the area of legal and regulatory reform, advisors are working in key areas, particularly in the promotion of trade and investment, and the identification and reduction of constraints to private enterprise. Pro-business laws covering bankruptcy, joint stock companies, foreign investment, and procurement have all been enacted with USAID support. USAID targets constraints to business operations by helping the government pass legislation in such areas as business inspection,

business licensing and registration, work permits, contract law and property rights. Many of these efforts are needed to expand opportunities for U.S. trade and investment.

USAID assistance is playing a critical role in moving the government to join the WTO. Kazakhstan has made progress in aligning its trade and investment regime to WTO requirements. This has been accomplished through enactment of 15 WTO laws during the past year, as well as drafting 5 major documentary submissions for the GOK's WTO accession. USAID customs assistance emphasized drafting implementing regulations and internal policies, in addition to the provision of training at the operational level.

People-to-people efforts and exchange programs have proven to be excellent vehicles to identify potential investment opportunities and develop appropriate business plans. CAAEF continues to provide equity and credit financing to Kazakhstani SMEs. The Kazakhstan Community Loan Fund (KCLF) provides group-lending program in Kazakhstan, and is the only registered non-bank financial institution. KCLF has made over 7,000 loans to small and micro enterprises, with a delinquency rate of only three-percent. Over 80% of KCLF's clients are women. Eurasia Foundation has made subgrants to establish two small business incubators in provincial capitals.

In accounting reform, through USAID's efforts, 1,370 enterprises have been converted to international accounting standards, while 7,000 accountants have been trained in the theory and practice of international accounting.

Finally, in 1999, USAID began to provide significant direct financial support to the master's degree in economics program of KIMEP, the premier institution in Central Asia for international training in economics and business administration.

Possible Adjustments to Plans:

USAID will increase efforts to reduce and remove constraints to business, particularly at the local level through its regional initiative in Atyrau. USAID will begin to provide more assistance directed at businesses, particularly SMEs, which will be the focus of this SO under our new strategy. The new strategy will also eliminate indicators that are now obsolete and introduce new ones.

Other Donor Programs:

USAID plays a major role in promoting the growth of private enterprises in Kazakhstan. USAID is the lead donor organization that provides accounting training in IAS and the leader in liberalization of the trade and investment environment. In the areas of commercial law drafting and judicial reform, IBRD has now assumed the primary role by supporting the government's Legal Reform Program with USAID complementing IBRD's effort through the provision of legal technical expertise. Additionally, USAID complements other donors (IBRD, EBRD, UNDP, Soros, EU-Tacis, and German and Israeli governments) with its ongoing efforts to strengthen SMEs through equity/debt and SME lending (CAAEF) and through micro-lending (MCI and KCLF). USAID also complements programs of other donors' (SMEs EBRD, EU-Tacis, IBRD, and German KfW and DEG) in the area of technical assistance and advisory services to SMEs through the use of IESC, Winrock, and ACIDI/VOCA's business executive volunteers. An IBRD

project on enterprise support is now being developed, as is a project on industrial restructuring by the EU.

Major Contractors and Grantees:

USAID activities are implemented through several U.S. firms, including Booz Allen & Hamilton (trade and investment), and Carana Corporation (accounting reform), along with U.S. private voluntary organizations such as IESC, ACDI/VOCA, and CAAEF, which provide direct assistance and financial assistance. The Academy for Educational Development (AED) coordinates participant training. Through a grant to Eurasia Foundation, USAID supports an even broader range of business education and development.

Performance Data Table

Objective Name: Accelerated development and growth of private enterprises.				
Objective ID: 115-013-01				
Approved: 1996-07-12		Country/Organization: Kazakhstan, USAID/CAR		
Result Name: 1.3 Accelerated development and growth of private enterprises				
Indicator: Increase in private sector GDP market share				
Unit of Measure: Percent		Year	Planned	Actual
Source: European Bank for Reconstruction and Development		1995	0	25
		1996	0	40
Indicator/Description: Share of GDP generated by private enterprises		1997	0	55
		1998	60	55
		1999	65	n/a
		2000	70	
		2001	75	
Comments: The EBRD releases its data in November of each year for the prior year, so that the data available lags by a year. In 1998, a year of financial crisis abroad and declining commodity prices worldwide, Kazakhstan's private sector did well to hold its share of GDP.				
* This is the last R4 that we will use this indicator.				

Performance Data Table

Objective Name: Accelerated development and growth of private enterprises.			
Objective ID: 115-013-01			
Approved: 1996-07-12		Country/Organization: Kazakhstan, USAID/CAR	
Result Name: 1.3.1.1.2 Modern financial reporting standards are used			
Indicator: Increasing number of publicly-traded companies using new accounting disclosure standards.			
Unit of Measure: Number	Year	Planned	Actual
Source: Carana Corp.	1997	120	427
Indicator/Description: Number of firms transferred to new accounting standards	1998	420	1369
	1999	600	1370
	2000	1000	
	2001	1500	
Comments: Targets for 1998 and 1999 were substantially exceeded through: a) Establishing a system in which the benefits of modern accounting standards, practices and principles were promoted through seminars; b) Developing and implementing a standardized enterprise conversion methodology. This is an obsolete indicator. Far greater results were achieved far sooner than anticipated. The real success of this endeavor is better demonstrated by Kazakhstan establishing itself as the recognized leader in accounting reform in the FSU.			
* This is the last R4 that we will use this indicator.			

Performance Data Table

Objective Name: Accelerated development and growth of private enterprises.			
Objective ID: 115-013-01			
Approved: 1996-07-12		Country/Organization: Kazakhstan, USAID/CAR	
Result Name: 1.3.1.2 Courts and Administrative agencies strengthened to enforce policies, laws and regulations.			
Indicator: Number of legal and administrative positions trained by USAID.			
Unit of Measure: Number of judicial positions filled with USAID trained professionals.	Year	Planned	Actual
	1995	0	0
Source: ARD/Checchi	1996	100	155
Indicator/Description: Number of legal and administrative positions trained by USAID.	1997	170	320
	1998	180	414
	1999	200	450
Comments: The data is cumulative and shows the number of people employed in legal and administrative positions who are trained. This is a proxy for the number of positions filled by trained persons, since that information is not available.	2000	-	
	2001	-	
* This is the last R4 that we will use this indicator.			

Performance Data Table

Objective Name: Accelerated development and growth of private enterprises			
Objective ID: 115-013-01			
Approved: 1996-07-12		Country/Organization: USAID Kazakhstan	
Result Name: IR 1.3.3: Increased availability of and access to capital and technological resources for the private sector			
Indicator: Loan and joint venture funds invested by CAAEF			
Unit of Measure: Millions of dollars (US)	Year	Planned	Actual
Source: CAAEF semi-annual reports	1995	0	0
Indicator/Description: Dollar volume of joint venture funds invested	1996	20	16.3
	1997	15	17.8
	1998	17	18.2
	1999	19	17.3
	2000	21	NA
Comments: In order to reduce the delinquencies, CAAEF management has tightened up the credit review process. As a result, less money was lent in 1999.	2001	23	NA
	* This is the last R4 that we will use this indicator.		

Country/Organization: Kazakhstan, USAID/CAR

Objective ID: 115-14-01

Objective Name: A more competitive and market responsive private financial sector

Self Assessment: Exceeding Expectations

Self Assessment Narrative: Exceeded expectations in pension reform and met the targets set for banking despite the difficult circumstances caused by the Russian financial crisis. The number of companies listed on the stock exchange continued to grow and the volume of trade increased by over 100%.

Primary Link to Strategic Agency Framework: 1.1 Private Markets

Secondary Link to Strategic Agency Framework: No Secondary Linkages

Link to U.S. National Interests: Economic Prosperity

Primary Link to MPP Goals: Economic Development

Secondary Link to MPP Goals (optional): Open Markets

Summary of the SO:

In transitional economies, people need adequate and secure opportunities to deposit their savings while borrowers need mechanisms to obtain those savings for use in productive investments. In Kazakhstan, USAID seeks to create a more competitive and market-responsive private financial sector by reforming the pension system, bringing stability to the banking sector, and developing a vibrant securities market.

Through bank supervision and bank accounting reforms, USAID has helped to tighten financial regulatory guidelines and to enhance monitoring capacity, thereby increasing the stability of the banking sector. In addition, the bank accounting project facilitated financial monitoring by the central bank, and introduced international accounting standards (IAS) that led to increased transparency in the banking sector.

Since 1996, USAID technical assistance has had a leading role in pension reform. The potential benefits for citizens and the economy are tremendous. By the end of 1999, after two years of existence, the accumulation pension system had grown to \$467 million, adding to the ever-increasing pool of capital available for investment, increased economic security for the elderly, and individual choice for citizens. Kazakhstan's pension reform contributes to long-term fiscal, as well as political and social stability.

USAID has assisted with capital market development by creating an independent National Securities Commission (NSC), building an over-the-counter (OTC) market-trading infrastructure

at the Kazakhstan Stock Exchange (KASE), and promoting reliable share registries and depositories. In 1999, the KASE was registered with the NSC as a self-regulatory organization. The direct beneficiaries of USAID's financial market development work include professional bankers, stockbrokers, and other financial market intermediaries and regulators. Indirect beneficiaries include citizens of Kazakhstan who now benefit from having more secure banks and financial instruments in which to deposit their savings, as well as the higher standard of living that will eventually result from increased investment emanating from those savings.

Three results are necessary to achieve this objective: 1) government regulatory agencies supervise, administer and enforce legislation; 2) more forms of financial intermediation are institutionalized and effectively supply the private sector on a competitive basis; and 3) Stock Market effectively serves the Securities Market.

Key Results:

In 1999, two of four performance indicators were met or exceeded and one other was just shy of meeting the target. Most notable was the continued upward trend of private sector deposits as a share of GDP, which met its 9% target for 1999. At the same time, the number of private pension funds significantly exceeded the target for 1999. We fell short of the target of 9 licensed pension fund investment management companies by 1, having only 8 this year. However, better performing asset management companies, such as ABN/AMRO, are managing assets of more than one fund. This satisfactorily fulfills our intent. While the number of companies listed on the stock exchange did not meet our targets, it did increase by 74%. More importantly, the volume of trading (not an indicator) increased by over 100%. This figure demonstrates that Kazakhstan's capital markets have rebounded from the Russian Economic collapse of 1998/1999. This is a major accomplishment.

The financial crisis in Russia and the move to a free-floating exchange rate were serious threats to the stability of the banking sector. However, the sector emerged in better condition. There were a number of banks that were forced by the central bank to merge due to more stringent capital requirements. This was accomplished without panic.

Performance and Prospects:

The April 1999 devaluation of the tenge included an offer to convert all household bank deposits and 30% of all enterprise deposits into dollars at the pre-devaluation exchange rate, if they were kept frozen for nine and six months respectively. This was done to maintain stability in the banking sector. In December 1999, the GOK honored this offer and there was no significant decrease in private bank deposits during 1999. In fact, deposits by year-end grew by approximately 10%.

USAID's performance in banking reform has been notable: in 1999 USAID advisors continued to participate in on-site bank examinations with National Bank of the Republic of Kazakhstan (NBRK) inspectors. During 1999, approximately 65% of all banking assets held by banks were being managed according to international accounting standards. This implementation enables the NBRK to more readily track the banks' performance and thus mitigates the potential for a financial crisis in Kazakhstan. The absence of a banking crisis in Kazakhstan, despite the spillover effects of the Russian crisis, is evidence of the positive impact of our assistance in both

supervision and accounting reform. Finally, during late 1999 the NBRK took steps to increase confidence in the banking system by adopting a deposit insurance scheme, while also committing to legislation that would limit the authority of the government to seize bank assets. The announcement of deposit insurance was a likely contributor to the spurt in deposits in the fourth quarter of 1999.

Through USAID's efforts, the capital markets institutional infrastructure is in place including the Kazakhstan Stock Exchange (KASE), the National Securities Commission (NSC), the Central Depository, custodians and registrars. Completing the infrastructure was key to the increase in volume during 1999.

USAID worked closely with the GOK in drafting a new Pension Fund Law that went into effect in 1998. USAID advisors assisted the government in creating a State Center for Benefits Payments and the National Pension Agency (NPA). The pension system continues to require further development, including the unification of the regulatory bodies (the NSC, NPA and National Bank). The private pension funds, as well as the regulatory body, lack experience and maturity. A key issue being addressed in 2000 is the creation of a unified, independent regulatory body for the pension system.

In 2000, USAID will continue to promote financial sector reform in the major areas of bank reform and restructuring. USAID's thrust will be to make the financial system more participatory and open to citizens. Practical, on-the-job training will receive special emphasis. High-level policy advice will be accompanied by efforts to ensure that counterparts develop the capacity to undertake needed research and analysis on their own.

Possible Adjustments to Plans:

This activity is well on track. In 2000, USAID will graduate the Pension Reform Project. However, USAID will continue to provide some support to the new pension system under a new SO 1.3 activity. USAID will graduate its stock market development activities in March 2000. Capital Markets activity continuing beyond March will focus on competing mortgage and corporate bond pilot projects. All Capital Markets activities will graduate in 2000. Based upon successes achieved to date, bank accounting efforts will cease and we will focus on supervision. In addition, we will consider a loan portfolio guarantee program as a mechanism to stimulate lending to SMEs.

Other Donor Programs:

USAID is the major donor working in the financial sector, and the only one involved in securities. The EBRD currently has a program in place targeted at increasing SME lending. The EBRD provides capital and technical assistance to accomplish this. Training activities for private banks at the Bank Training Center are no longer supported by TACIS. In the area of pension reform, USAID collaborates closely with the IMF, the World Bank, and the ADB.

Major Contractors and Grantees:

USAID activities are implemented through several U.S. organizations, including IMCC, KPMG/Barents, Pragma, IBTCI, and through an interagency agreement with S.E.C. These implementing partners work closely in cooperation with local counterparts at the National Bank

of Kazakhstan, the Ministry of Finance, the Kazakhstan Stock Exchange and the National Securities Commission. The Academy for Educational Development (AED) coordinates much of the participant training. The Eurasia Foundation has provided the Bank Training Center with a grant.

Performance Data Table

Objective Name: A more competitive and market responsive private financial sector			
Objective ID: 115-014-01			
Approved: 1996-07-12		Country/Organization: USAID Kazakhstan	
Result Name: A more competitive and market responsive private financial sector			
Indicator: Bank desposits as percent of GDP			
Unit of Measure: Percent	Year	Planned	Actual
Source: National Bank of Kazakhstan	1995 (B)	NA	4.9
Indicator/Description: Private sector deposits in Kazakhstan's banking system as percent of GDP	1996	5.0	5.0
	1997	6.0	5.7
	1998	7.0	7.4
	1999	9.0	8.7
	2000	12.0	NA
Comments: Progress continued in 1999. We remain on target. Although it appears that we are 0.3 points below, this difference is not significant.	2001	15.0	NA
* This is the last R4 that we will use this indicator.			

Performance Data Table

Objective Name: A more competitive and market responsive private financial sector			
Objective ID: 115-014-01			
Approved: 1996-07-12		Country/Organization: USAID Kazakhstan	
Result Name: IR 1.4.2.1.2: Stock Market effectively serves securities market			
Indicator: Number of stock exchange and OTC listing on the first and second board listings			
Unit of Measure: Number	Year	Planned	Actual
Source: Kazakhstan Stock Exchange (KASE)	1995 (B)	NA	12
Indicator/Description: Number of companies listed on the first and second boards of stock exchange and in a transparent over-the-counter market (OTC).	1996	30	18
	1997	60	15
	1998	80	38
	1999	100	66
Comments: The departure of foreign institutional investors, following the Russia crises of 1998, has continued to have a negative impact on listings of companies on the Stock Exchange. However, total volume of trading of listed stocks has rebounded and was over 200% greater in 1999 than the previous year. In 1999, USAID successfully concentrated its efforts more on corporate debt securities than on equity (company stock listings).	2000	150	NA
	2001	300	NA
* This is the last R4 that we will use this indicator.			

Performance Data Table

Objective Name: A more competitive and market responsive private financial sector				
Objective ID: 115-014-01				
Approved: 1996-07-12		Country/Organization: USAID Kazakhstan		
Result Name: IR 1.4.2.2.1: Pension funds effectively support the operations of firms operating in the securities market				
Indicator: Increasing the number of individual investors who maintain investment accounts with pension funds				
Unit of Measure: Number		Year	Planned	Actual
Source: National Securities Commission, Pension Department		1996	0	0
		1997	2	0
Indicator/Description: Number of registered private pension funds		1998	4	14
		1999	5	16
		2000	8	NA
		2001	12	NA
Comments: Objectives exceeded.				
* This is the last R4 that we will use this indicator.				

Performance Data Table

Objective Name: A more competitive and market responsive private financial sector			
Objective ID: 115-014-01			
Approved: 1996-07-12		Country/Organization: USAID Kazakhstan	
Result Name: IR 1.4.2.2: Pension funds effectively mobilize investment capital into securities market			
Indicator: Pension Portfolio holdings as a % of total market capitalization			
Unit of Measure: Number	Year	Planned	Actual
Source: National Securities Commission, Pension Department	1996	3	0
	1997	3	0
Indicator/Description: Number of licensed pension fund investment management companies.	1998	7	7
	1999	9	8
	2000	15	NA
	2001	18	NA
Comments: While we fell short of the objective by 1, a few of the larger, better performing asset management companies, such as ABN/AMRO, are managing assets of more than one fund. This satisfactorily fulfills our intent.			
* This is the last R4 that we will use this indicator.			

Country/Organization: Kazakhstan, USAID/CAR

Objective ID: 115-021-01

Objective Name: Increased, better-informed citizens' participation in political and economic decision-making

Self Assessment: Not Meeting Expectations

Self Assessment Narrative: Civil society continued to develop and deepen rapidly, even exceeding our expectations. Our indicators demonstrate, for example, that many more NGOs are seeking to influence government. While progress has not been linear (eg. newly enacted tax legislation favorable to NGOs - a great success this period - is now under reconsideration), in general it continues upward. However, recent presidential and parliamentary elections were not fair, and government repression of the media and opposition candidates during those elections limited results in media and political process.

Primary Link to Strategic Agency Framework: 2.3 Politically Active Civil Society

Secondary Link to Strategic Agency Framework:

- | | |
|--|--|
| <input type="checkbox"/> 1.1 Private Markets | <input type="checkbox"/> 1.2 Ag Development/Food Security |
| <input type="checkbox"/> 1.3 Economic Opportunity for Poor | <input checked="" type="checkbox"/> 2.1 Rule of Law/Human Rights |
| <input checked="" type="checkbox"/> 2.2 Credible Political Processes | <input type="checkbox"/> 2.3 Politically Active Civil Society |
| <input checked="" type="checkbox"/> 2.4 Accountable Gov't Institutions | <input type="checkbox"/> 3.1 Access to Ed/Girl's Education |

Link to U.S. National Interests: Democracy and Human Rights

Primary Link to MPP Goals: Democracy and Human Rights

Secondary Link to MPP Goals (optional): Global Growth and Stability

Summary of the SO:

For Kazakhstan to successfully make the transition to a market democracy, it is imperative that its citizens begin to participate in economic and political decision-making in an informed manner. An important vehicle by which citizens' voices can be heard and, thus, participate in such decision making is through NGOs; therefore, USAID provides assistance to strengthen NGO participation in civil society. USAID supports improvements in the legal and regulatory environment for the NGO sector. Concurrent support enhances professionalism and management skills for NGOs, and works to enable NGOs to advocate on behalf of their constituencies' interest and to effect needed social change. In addition, in order for citizens to be better informed, USAID seeks to increase the availability of information on domestic economic policies and politics. USAID supports non-state broadcast media, and, among the younger generation, USAID also increases the availability of information about democracy through the sponsorship of programs in civic education. Finally, to facilitate better informed citizen

participation in decision making, USAID promotes increased responsiveness and accountability of government to citizens and citizen organizations. USAID works with the Kazakhstan parliament to increase its independence from the executive branch by enhancing constituency outreach skills and capacity to introduce draft legislation. These efforts will help bring about a more stable and more democratic society in which citizens promote their interests to a responsive government that is held accountable by NGOs and the media.

Key Results:

USAID/CAR's emphasis on building social partnerships and NGO-government dialogue has been paying off with growing government acceptance of citizen and NGO participation in decision-making. NGO representatives participate in various government-led working groups on issues such as the draft NGO Law and media frequency licenses. An example of these efforts is evident in recent progressive changes to the Tax Code of Kazakhstan, supported by USAID/CAR, which relieves NGOs of some heavy tax burdens. NGOs are using more innovative ways to reach out to their constituencies and stakeholders. With a USAID grant, the Feminist League of Almaty created a website (www.women.kz) that contains information on women's issues and a list of women's NGO webpages in Kazakhstan. A USAID-supported journalist's rights advocacy organization, Edil Soz (True Word), is earning its place among the few media activists in the country by denouncing restrictions on press freedoms and providing guidance to media outlets. Edil Soz has also secured a place on a governmental commission controlling pornography and violence in an effort to work against unwarranted censorship of broadcasting. Elections continue to be problematic in Kazakhstan. Nevertheless, civil society organizations are taking a more active role as domestic monitors; approximately 1500 USAID-trained NGO representatives monitored the October 1999 parliamentary elections.

Performance and Prospects:

With the exception of civil society activities, performance over the last year has been below expectations, mainly as a result of setbacks in the elections arena associated with the suppression of opposition groups and independent media. Calculating tactics used during the January 1999 presidential elections were repeated in the October 1999 parliamentary elections. The OSCE cited violations in the parliamentary elections, which counterbalanced minor improvements in the legislative and regulatory electoral framework. Violations included illegal interference by executive authorities, administrative and judicial pressure on media operations, and intimidation and obstruction of opposition party/candidate campaigns. Earlier predictions of an improved environment for non-state media outlets after the parliamentary elections were proven premature. Pressure on non-state media outlets increased, leaving them to seek justice before the Kazakhstani courts.

Despite these developments, there has been progress as a result of USAID/CAR's democracy assistance. With the help of grants and training from USAID, ngos in Kazakhstan are developing a strong network, supported through 30 newsletters and 7 associations, and are increasingly involved in advocacy. Over the past year, the increasing number of fervent protests (e.g., several hunger strikes held by workers and women concerning salary payment arrears) throughout Kazakhstan indicate that people are becoming more vocal about their social-economic status and want to be more involved in the decision-making process. In addition, efforts are being made, with the coordination of other donors, to help ngos and Parliamentarians

draft and present more effective NGO legislation through participatory public hearings and open meetings, furthering the development of a better enabling environment for civil society organizations.

USAID/CAR-SUPPORTED EFFORTS TO PROVIDE COMMENTARY AND SUGGESTED REVISIONS TO THE NEW LAW ON MASS MEDIA (ADOPTED LAST YEAR) OPENED A DIALOGUE, ALBEIT CONSTRAINED, BETWEEN JOURNALISTS AND THE GOK. MEDIA ADVOCACY EFFORTS HAVE INCREASED WITH THE ESTABLISHMENT OF AN ACTIVE USAID-SUPPORTED JOURNALISTS' ASSOCIATION AND THE PROVISION OF EXPANDED LEGAL SERVICES TO NON-STATE MEDIA OUTLETS BY OUR IMPLEMENTING PARTNER. USAID ASSISTANCE FOR JOURNALISTS' TRAINING AND STATION MANAGEMENT IS SOUGHT AFTER MORE THAN EVER AND HAS RESULTED IN AN IMPROVEMENT IN THEIR TECHNICAL SKILLS. OVER THE NEXT YEAR, USAID, IN COORDINATION WITH THE STATE DEPARTMENT PUBLIC DIPLOMACY OFFICE, WILL CONTINUE TO HELP JOURNALISTS AND MEDIA OUTLETS TO ADVOCATE FOR A LEGAL AND REGULATORY ENVIRONMENT THAT MEETS INTERNATIONAL STANDARDS FOR INDEPENDENT MEDIA. EURASIA FOUNDATION PROVIDED A NUMBER OF SMALL GRANTS TO ASSIST UNIVERSITY LIBRARIES GET ACCESS TO THE INTERNET.

Given the events surrounding the 1999 presidential and parliamentary elections, however, USAID democracy programming may face particular challenges for continued openings in the electoral process, the independence of the media, and the participation of opposition groups.

Possible Adjustments to Plans:

Due to the difficulties with government control and the need to build citizen demand for democratization, the new strategic plan focuses on civic and rights education among youth and women, media advocacy efforts, and other forms of information dissemination, as well as further developing the NGO sector. In conjunction, USAID will continue to explore linkages with the IREX Internet program funded by the Public Diplomacy Office. USAID is making the promotion of democratic ideals among the younger generation through civic education programs in the schools an integral component of the new strategic plan. In addition, this year USAID will begin implementing a plan to gradually localize civil society support in the country as a move towards more sustainable development. Furthermore, to support the Atyrau Regional Initiative, USAID will also strengthen the advocacy role of NGOs.

Other Donor Programs:

USAID's efforts in developing civil society are part of a multi-donor effort. UNDP's center for the promotion of NGOs is in full operation and has been organizing seminars bringing together donors and NGOs. For example, this center supported USAID's efforts to encourage Parliament to adopt improved NGO legislation. The Soros and Eurasia foundations support NGOs through their grant programs. In the electronic media area, the OSCE is increasing developmental efforts with media outlets in the country. The Soros Foundation made a grant to Internews to publish textbooks on journalists' rights. The UNDP supports Parliament in various ways, including working with ABA/CEELI to establish a legislative drafting center.

Major Contractors and Grantees:

Several USAID-supported American NGOs, such as the American Bar Association/CEELI, Internews, the National Democratic Institute (NDI), and the International Foundation for Electoral Systems (IFES), are playing a role in promoting democracy in Kazakhstan.

Counterpart International and the International Center for Not-for-Profit Law, which together form the Counterpart Consortium, also assist local NGOs with technical assistance and grants. Initiative for Social Action and Renewal in Eurasia (ISAR) promotes the development of local environmental NGOs. The Academy for Educational Development (AED) coordinates participant training. This year, USAID will also be supporting a select number of the projects in the area of civic education initiated by the local branch of the Soros Foundation.

Performance Data Table

Objective Name: Increased, better-informed citizens' participation in political and economic decision-making			
Objective ID: 115-021-01			
Approved: 1997-10-01		Country/Organization: USAID Kazakhstan	
Result Name: Increased, better-informed citizens' participation in political and economic decision-making			
Indicator: Government responsiveness: % of NGOs receiving positive responses to their contacts with government bodies			
Unit of Measure: Percent	Year	Planned	Actual
Source: Counterpart Consortium data base	1997	NA	50
Indicator/Description: Percent of sample of NGOs that report attempting to influence government and indicate that officials contacted listened to their positions and appeared interested in understanding their viewpoint, whether or not policy was changed as a result. This indicator is a proxy for acceptance by government of increased citizen/citizen group participation in decision-making.	1998	60	68
	1999	70	68
	2000	NA	NA
	2001	NA	NA
Comments: At one time simply having the opportunity to talk with government officials was a huge challenge for NGOs. Now, government officials appear to be more open to NGO viewpoints and contributions. It is more relevant now to analyze the actual result of the contacts. We will no longer report against this indicator. The new strategy will measure the effectiveness of NGOs' contact with government officials and NGO sustainability. The next R4 will include the NGO Sustainability Index as a performance data table measuring IR 2.1.1 "Stronger and More Sustainable Civic Organizations." The progress against SO 2.1 "Strengthened Democratic Political Culture" will be measured by percentage of targeted population exhibiting civic consciousness and activism.			

Performance Data Table

Objective Name: Increased, better-informed citizens' participation in political and economic decision-making			
Objective ID: 115-021-01			
Approved: 1997-10-01		Country/Organization: USAID Kazakhstan	
Result Name: IR 2.1.1: NGO participation in civil society strengthened			
Indicator: NGO advocacy: Increase in number of indigenous NGOs that seek to influence the government or get government support or attention for their activities (advocacy)			
Unit of Measure: Number of NGOs	Year	Planned	Actual
Source: Counterpart Consortium data base	1996	10	35
Indicator/Description: Number of NGOs that contacted government officials as reported in grant/contract monitoring documents in response to the following questions:	1997	15	68
	1998	70	143
	1999	100	495
	2000	NA	NA
	2001	NA	NA
"Did you have any contacts with government officials regarding your NGO's work or issues during the past year?"			
Comments: At one time simply having the opportunity to talk with government officials was a huge challenge for NGOs. Now, government officials appear to be more open to NGO viewpoints and contributions. It is now more relevant to analyze the actual result of the contacts. We will no longer report against this indicator. The new strategy focusses on the effectiveness of NGOs' contact with government officials and NGO sustainability. Therefore, the next R4 will include the NGO Sustainability Index as a performance data table measuring IR 2.1.1 "Stronger and More Sustainable Civic Organizations."			

Performance Data Table

Objective Name: Increased, better-informed citizens' participation in political and economic decision-making			
Objective ID: 115-021-01			
Approved: 1997-10-01		Country/Organization: USAID Kazakhstan	
Result Name: IR 2.1.2.1: Domestic news widely available via electronic media			
Indicator: Average minutes of daily independent electronic media local TV news programming			
Unit of Measure: Average daily number of minutes	Year	Planned	Actual
Source: Internews data base	1996	NA	15
Indicator/Description: Average daily minutes of independent local news programming from sample of television and radio stations. Stations: Karavan (Shymkent), Rika (Aktiubinsk), Tsesna (Akmola), Irbis (Pavlodar), TV-6 (Semipalatinsk), KTV-5 (Ust-Kamenogorsk), Ikar-TV (Karaganda), Lada-TV (Aktau), Alau (Kustanai), 31 Anal. (Almaty).	1997	18	9.7
	1998	13	25
	1999	30	29.8
	2000	33	NA
	2001	35	NA
Comments: The next Strategy Plan provides for a shift in IR 2.1.2 "Increased availability of information on civic rights and domestic public issues" from solely technical assistance to independent electronic media outlets to additional focus on civic education to targeted youth groups. Therefore, in the next R4, this indicator will not be reported on. Instead, it will include a performance data table for the following indicator measuring progress for availability of information: "Increased number of targeted citizens participating in civic education programs" and/or Media Sustainability Index provided that the latter is developed by E&E Bureau by the time of next R4 reporting.			

Performance Data Table

Objective Name: Increased, better-informed citizens' participation in political and economic decision-making			
Objective ID: 115-021-01			
Approved: 1997-10-01		Country/Organization: USAID Kazakhstan	
Result Name: IR 2.1.3: Increased responsiveness and accountability of Government to citizens/citizens organizations			
Indicator: Elections are held per international standards at the presidential, parliamentary, and local levels (reported separately)			
Unit of Measure: USAID/CAR and IFES will assess using 10 point scale (based on the 10 relevant paragraphs and sub-paragraphs of the Copenhagen Document). Goal: Compliance with all standards.	Year	Planned	Actual
	1995	NA	4.5
	1996	NA	NA
	1997	NA	4.5
	1998	5.5	5.5
	1999	7	5
	2000	NA	NA
Source: USAID/CAR and IFES	2001	NA	NA
Indicator/Description: The international standards are defined by the Copenhagen Document (Conference on the Human Dimension of the OSCE, Copenhagen 1990. [Paragraphs 6,7 and 8]).			
Comments: Due to the flawed presidential elections in Kazakhstan, limited electoral-related assistance was provided during the parliamentary elections, for which the score is represented herein. Despite some steps forward, particularly in electoral legislation, numerous violations of the law took place during the elections, and they were criticized by international and local observers. The 1995 data is based on IFES technical assessment reports. No elections were evaluated in 1996. Since in the next Strategy Plan no major electoral assistance will be provided and IR 2.1.3 will focus on enhanced opportunities for citizen participation in governance, in the next R4, this indicator will not be reported on. Instead, it will include a performance data table for the following indicator measuring progress for opportunities for citizens' participation: "Scorecard of citizens' access to meetings and records of legislative proceedings."			

Country/Organization: Kazakhstan, USAID/CAR

Objective ID: 115-023-01

Objective Name: More effective, responsible, and accountable local government

Self Assessment: On Track

Self Assessment Narrative: Despite a slow start-up, we have met the 1999 targets. An October 1999 assessment of program by an independent consultant and the USAID/Washington backstop produced a number of recommendations regarding staffing, counterparts, and programmatic focus. Many of the recommendations were adopted immediately by the implementer; we are incorporating others into our plans for next year's programming.

Primary Link to Strategic Agency Framework: 2.4 Accountable Gov't Institutions

Secondary Link to Strategic Agency Framework:

- | | |
|--|--|
| <input checked="" type="checkbox"/> 1.1 Private Markets | <input type="checkbox"/> 1.2 Ag Development/Food Security |
| <input checked="" type="checkbox"/> 2.2 Credible Political Processes | <input checked="" type="checkbox"/> 2.3 Politically Active Civil Society |
| <input checked="" type="checkbox"/> 5.3 Sustainable Urbanization/Pollution | <input type="checkbox"/> 5.4 Environmentally Sound Energy |

Link to U.S. National Interests: Democracy and Human Rights

Primary Link to MPP Goals: Democracy and Human Rights

Secondary Link to MPP Goals (optional): Global Growth and Stability

Summary of the SO:

The governmental structure of Kazakhstan is centralized and top-down. The President appoints regional governors, who in turn appoint the mayors of towns and cities. Popularly elected councils have some authority over governors and mayors. The government has delegated increased responsibility to its appointed local officials to administer health, education and other services, but has not given them the authority to raise adequate revenues. The growing need to cut national expenditures, however, has prompted the government to rethink the budget process. Also, draft local government and self-government laws are being considered in parliament. If legal and regulatory changes are reviewed and revised systematically, it could result in meaningful local government restructuring and empowerment. It is unclear, however, if the Government will act on its stated intention to decentralize authority beyond the de facto decentralization already in place at the regional (oblast) level.

USAID is working through its advisors and with interested non-governmental actors to urge the national government and Parliament to adopt legislation that will strengthen the authority of local governments as well as their accountability to their constituents. In order to lay the groundwork for effective local governance, USAID also seeks to strengthen the institutional capacity of selected municipal governments. The desired effect is to demonstrate the potential of

local governance and increase pressure on the national and regional (oblast) levels to devolve greater programmatic and fiscal authority to local governments. A twin objective is to engage elected councils and local NGOs in local governmental affairs in order to make greater use of two of the few institutions that citizens have for communicating their priorities to governing officials and for exerting pressure on them to perform.

Operationally, USAID chooses sites for strengthening the capacity and responsiveness of local governments, in which other USAID or donor programs could benefit from more effective and accountable governance. This approach was explicitly discussed and formalized in our strategy discussions for 2001-2004. We consider it a key rationale for investing in local government reform and assistance. The Atyrau Regional Initiative, the best example of this approach, is a multi-donor effort in which USAID technical assistance, exchanges and training for the oblast, city, and rayon governments is smoothing the way for numerous other activities. These include calculating water rate increases and facilitating hearings as preconditions to a World Bank loan for the municipal water system; rethinking the role of local government in economic development to enable the work of the UNDP-Chevron Business Center and the Citibank-funded micro-credit loan program. In Pavlodar our work with the budget office serves the dual purpose of strengthening our health finance and fiscal reform strategic objectives, by coordinating our program budgeting technical assistance to be consistent with the other objectives' priorities and guidance.

Local government reform has the potential to improve the quality of everyday life and to increase citizens' involvement in public affairs. Increasing access to potable water, improving health services, and encouraging local civil society and economic development are diverse areas that will benefit from more effective and responsive local governments.

Key Results:

The notable achievements in the past year include the adoption of public budget hearings as a vehicle for citizen participation in Pavlodar and Aktau and the official development, training, and use of competitive procurement standards by the Agency for Procurement. Pavlodar developed a program budget for its oblast health program, which in turn allowed USAID to strengthen its health finance and fiscal reform objectives.

The most successful component to date has been the training program. Wherever training was conducted, local leadership requested more of the same. The impact of training has proven to be a key factor in proliferation of "good local practices" across the country. As a result, requests to assist in holding public hearings, technical assistance on a consistent basis, and training has come from outside the target cities including the administrations of Mangistau oblast and Semipalatinsk city.

Performance and Prospects:

Although FY99 targets were met, implementation lagged and was disjointed due to the high turnover in contracting personnel. Prospects for improved performance are good. Well-qualified and committed expatriate advisors are now on board. The oblast akimats of Pavlodar and Atyrau, the model sites of the local government initiative, are supportive counterparts. This facilitates work at city and rayon levels, as well. Atyrau is particularly focused on the need to

restructure its water supply system in order to meet World Bank loan conditions. USAID will help the local government prepare for public hearings and other citizen outreach requirements on the needed rate increases. USAID will also assist with estimating sustainable utility rates. Local trainers, drawn from the Academy of Civil Service, the Pavlodar Academy of Civil Service, and other public and private training institutions conduct the training. The training component inputs across the full range of the local government initiative; helping to strengthen the political skills of elected council members, the budgeting and management skills of officials in model regions, cities and districts; making competitive procurement operational at the oblast and city levels; and training housing cooperative staff, management and membership in order to establish and/or strengthen grass roots democratic member control and more effective self-management of citizens' housing environment. It also serves as a vehicle for dissemination of new concepts. The sudden interest in public hearings, which sprung up following the Pavlodar hearing in June 1999, is being nurtured by one-day "how to" workshops, which are conducted in interested cities. The academies' strong interest in the training bodes well for its future adoption into Government of Kazakhstan-funded training.

The Agency of Strategic Planning and the Presidential Administration are the chief interlocutors in the central government. A US study tour by national government policy makers and a December 1999 seminar on decentralization, which included other ministries, have laid the groundwork to pursue an interdisciplinary approach to reform. The Final Report of the U.S.-Kazakhstan Joint Commission in December 1999 included local government reform as an issue, with Kazakhstan committing to "decentralization of local representative and executive bodies with the aim of creating the necessary preconditions for conversion to a system of direct election of local akims (mayors and governors)". This statement provides a good starting point when initiating a dialogue with ministerial and parliamentary counterparts.

Possible Adjustments to Plans:

In its second year, the Initiative is engaged in a policy dialogue with the Government of Kazakhstan, which was initiated during the United States-Kazakhstan Joint Commission in December 1999. The Initiative will also reach out to other with an interest in local government reform to better understand their priorities and to be mutually supportive. These include the State Law Institute, which received a grant from Eurasia to develop an alternate self-government law and non-governmental counterparts of the National Democratic Institute, who will hold public meetings on the draft local government and self-government laws.

Other Donor Programs:

Other donors also support activities with a local government dimension, including the World Bank, EU, EBRD, and Soros. In remote Atyrau, USAID helps the oblast and city administrations understand World Bank conditionalities and processes. The EU TACIS program, which supported the adoption of a new civil service law, will extend its program in order to promote adherence to the new law. The Civil Service Law requires retraining of local officials, which USAID will support by coordinating its training with the national and regional Civil Service Academies. The EBRD's interest in extending a non-sovereign-guaranteed loan to the City of Almaty creates a valuable opportunity to promote transparency in public financial management through a creditworthiness assessment, which USAID is assisting with. USAID

may also help strengthen the City's capacity to do capital budgeting and multi-year planning, a likely precondition for an EBRD loan.

Major Contractors and Grantees:

International City/County Management Association (ICMA) provides technical assistance and training. The Kazakhstan-Arizona Partnership Program is developing an exchange and training program between the Atyrau Office of Economic Development and its counterpart in Tucson, Arizona. The Academy for Educational Development (AED) coordinates participant training.

Performance Data Table

Objective Name: More effective, responsive, and accountable local government			
Objective ID: 115-023-01			
Approved: 1997		Country/Organization: USAID Kazakhstan	
Result Name: IR 2.3.1: Participation. Practices promoting citizen input and involvement adopted			
Indicator: Percent target municipalities instituting new citizen participation techniques			
Unit of Measure: Percent of local municipalities that create vehicles for citizen involvement such as open hearings, task forces, commissions, boards	Year	Planned	Actual
	1998 (B)	NA	0
	1999	0	4.8
Source: ICMA	2000	3	NA
Indicator/Description: The target municipalities include the 2 cities of national significance, Almaty and Astana and the 39 cities of oblast significance. Thus 2.4% of the target municipalities is one city; 10% is 4 cities.	2001	10	NA
Comments: The city council of Pavlodar and the oblast administration of Mangistau held public budget hearings. The Pavlodar city council has adopted a policy and procedures for holding hearings.			

Performance Data Table

Objective Name: More effective, responsible, and accountable local government			
Objective ID: 115-023-01			
Approved: 1997-01-01		Country/Organization: USAID Kazakhstan	
Result Name: IR 2.3.2: Capacity. Practices improving delivery of services and management of resources adopted			
Indicator: Percent target municipalities with improvement in management practices			
Unit of Measure: Percent of target municipalities that adopt techniques such as competitive procurement, program-based budget format, market-oriented zoning	Year	Planned	Actual
	1998 (B)	NA	0
	1999	3	2.4
	2000	10	NA
Source: ICMA	2001	40	NA
Indicator/Description: The universe of target municipalities includes the 2 cities of national significance, Almaty and Astana, and the 39 cities of oblast significance. Thus 2.4% of the target municipalities is one city, 10% is 4 cities, and 40% is 16 cities.			
Comments: The city of Pavlodar adopted competitive procurement practices, initiated an organizational-functional analysis, and developed a first program budget for its health program.			

Performance Data Table

Objective Name: More effective, responsible, and accountable local government			
Objective ID: 115-023-01			
Approved: 1997-01-01		Country/Organization: USAID Kazakhstan	
Result Name: IR 2.3.3: Autonomy. Powers of local government increased			
Indicator: Number of additional functions, revenues given to local government			
Unit of Measure: Rating of 1-6 based on establishment of necessary criteria for local government to function:	Year	Planned	Actual
	1998 (B)	NA	0
	1999	1	1
	2000	2	NA
Source: USAID, ICMA	2001	3	NA
Indicator/Description: Conditions are: 1) authority to manage services delivered at local level 2) access to revenue base they can influence 3) power to make budget decisions independently 4) leadership accountable to citizens through elections 5) control over local property 6) department heads are accountable to the municipal government and not the central government.			
Comments: Kazakhstan made partial progress in two of the conditions: Condition #3: oblasts received greater budgeting discretion in education and health. Condition #6: oblast department heads answer to the Oblast Governor, not their line ministries. Since the devolution of authority below the oblast level to the municipal and rayon level is ambiguous, only partial credit is given.			

Country/Organization: Kazakhstan, USAID/CAR

Objective ID: 115-032-01

Objective Name: Improved sustainability of social services

Self-Assessment: On Track

Self-Assessment Narrative: If considered only at the oblast (province) level, programs have exceeded expectations. In the two oblasts where USAID is focusing its work, new-style primary health care practices expanded by 200% and an increasing number of family doctors offered expanded services- especially for childhood illnesses and sexually transmitted infections. At the policy level, progress is only “on track”. Frequent leadership changes and alterations to the national health administrative structure have limited effective dialogue for policy change and may threaten sustainability of systems changes achieved at the oblast level. These changes have made effective, consistent policy dialogue difficult at the national level and threaten sustainability of already established enrollment and provider payment systems in demonstration areas.

Primary Link to Strategic Agency Framework: 4.2 Infant/Child Health/Nutrition

Secondary Link to Strategic Agency Framework:

- | | |
|--|--|
| <input type="checkbox"/> 3.2 Higher Ed/Sustainable Development | <input checked="" type="checkbox"/> 4.1 Unintended Pregnancies Reduced |
| <input type="checkbox"/> 4.2 Infant/Child Health/Nutrition | <input checked="" type="checkbox"/> 4.3 Child Birth Mortality Reduced |
| <input type="checkbox"/> 4.4 HIV/AIDS | <input checked="" type="checkbox"/> 4.5 Infectious Diseases Reduced |

Link to U.S. National Interests: Global Issues: Environment, Population, Health

Primary Link to MPP Goals: Health

Secondary Link to MPP Goals (optional): Population

Summary of the SO:

USAID has been a key player since 1993 in the reform of Kazakhstan’s health care system. USAID is advocating the shift of resources and services away from a costly network of specialized institutions and hospitals to more cost-effective primary health care. USAID has supported the creation of independent, accessible community-based structures that are staffed by physicians with some training in the role and skills of the family doctor. These primary health care practices are set up so consumers can choose their family doctors through an open enrollment process.

In the past three years, this primary health care model has been developed in Kazakhstan and is now ready to be extended. In 1999, USAID in collaboration with GOK and the World Bank developed a phased approach for nationwide implementation and has begun to expand the model throughout two oblasts.

To achieve a sustainable primary health care system, USAID has emphasized a shift to market-based approaches for health care financing and delivery. A necessary component in achieving such a shift is to change the incentive structure for health care financing and delivery. This involves consolidating underutilized inpatient and specialty facilities, using some of the resulting savings to fund primary health care, and establishing new financial systems for all health facilities. For example, per capita payments are appropriate for primary health care, because practices are paid to provide a basic package of services for each person enrolled in their clinic. Since people can change practices if they are dissatisfied, there is an incentive for family doctors to give quality care in order to maintain adequate enrollment levels to fund their work. Successes in decentralizing the health financing systems have led to health programs designed for local accountability.

In spite of well-planned efforts by USAID in geographically focused regions, the health status of the Kazakhstan population remains vulnerable. Preliminary Demographic and Health Survey results from 1999 indicate that infant mortality appears to have increased from 1995 to 1999. Maternal mortality remains high and the average life expectancy, especially for men, has decreased - with 48% of overall deaths attributed to circulatory disease. This data reflects a generally poor health level that cannot be adequately addressed by the disease-specific approach previously favored. The importance of addressing basic health care needs with an integrated community-based approach is paramount.

Key Results:

In the two oblasts where USAID is working, the number of newly restructured primary health care practices (PHCPs) has tripled, from 151 to 453. With increased numbers of PHCPs, more families have access to care. In the three largest cities of these oblasts, PHCPs now cover 85% of the population. Besides access to care, the types of services available affect the families' quality of health care. Percentage of practices in urban centers that offered expanded services increased from 36 to 71% in Zhezkazgan and Satpaeva cities and from 71 to 87% in Semipalatinsk. Expanded services included treatment of childhood illnesses, sexually transmitted infections and reproductive health care. This expansion illustrates USAID/CAR's commitment to further strengthening of quality primary health care for families, as reflected in our new strategy.

From 1998 to 1999, the total number of health care providers reimbursed by new payment systems increased from 134 to 342 in the two oblasts. Providers included hospitals, polyclinics and primary health care practices. Payment systems that are based on providing cost-effective services are an important feature in developing a sustainable health care system.

Performance and Prospects:

Performance for this objective is "on track" overall, although in the USAID demonstration sites comprised of East Kazakhstan and Karaganda Oblasts, performance is "exceeding expectations" because expansion of practices, modification of payment systems and increased scope of services has proceeded much more rapidly than expected. Physician and nurse training needs to be deepened and widened so that expansion of services can continue. In addition, USAID's collaboration with World Health Organization (WHO) to test and adapt the Integrated Management of Childhood Illnesses (IMCI) approach and the syndromic treatment of sexually

transmitted infections (STI) protocol to the Central Asian Region is nearing completion. Once finalized, these protocols, which are being tested by family doctors, can be taught and applied throughout the two oblasts.

The national and legal policy framework in Kazakhstan is ranked 3 on a scale of 5. The enormous changes in the national government in Kazakhstan continued to raise new challenges for establishing a stable legal and policy framework in the health sector. The national health institutions were reorganized in 1999 when the Ministry of Health, Education and Sport was disbanded and the Agency for Health Care was established. The Center for Health Purchasing was also reorganized and no longer authorized to fund health care facilities. The Health Decree requiring nationwide replication of health reform has caused some concern because of the limited technical assistance and material resources available to achieve this goal.

A \$162.5 million World Bank health sector loan was finalized which provides the capital to establish primary health care practices and restructure the health care system over a ten-year period. In addition, under the first phase of the loan, USAID will support the intensive training of family doctors and nurses. Prospects are excellent for USAID to continue work during the first phase of the loan. On the other hand, a current concern is the Government of Kazakhstan's very limited dispersal of these loan funds to date, which has impeded progress in providing needed clinical and laboratory equipment as well as modest renovations for primary health care practices.

USAID continues to support targeted health initiatives to improve maternal and child health (MCH) care and infectious disease prevention and control programs. These efforts are structured to supplement overall USAID work on health reform. As primary health care practices are established nationwide and the system becomes operational, special initiatives will become part of a comprehensive package of PHC services at the community level, as envisioned in USAID/CAR's new strategy: Increased Access to Quality Primary Health Care in Select Populations.

Possible Adjustments to Plans: The preliminary 1999 DHS results indicating a rise in infant mortality in the past 5 years will require further examination to understand their significance and propose relevant programmatic changes.

Other Donor Programs:

One of our closest working partners is the World Bank, which provides material resources to expand the model of PHC developed by the GOK and USAID. WHO and USAID are collaborating on testing and adapting IMCI and STI protocols. UNFPA is a principle supplier of contraceptive methods to the public sector, especially south Kazakhstan. UNICEF funded hemoglobin testing in the 1999 DHS. WHO, UNDP and UNICEF support activities of the Center for Healthy Life Styles with which USAID also coordinates.

Major Contractors and Grantees:

Abt Associates is currently the principle contractor working to implement this activity. The Academy for Educational Development (AED) coordinates participant training.

Performance Data Table

Objective Name: Improved sustainability of social services			
Objective ID: 115-032-01			
Approved: 1996-01-01		Country/Organization: USAID Kazakhstan	
Result Name: IR 3.2.1: Cost-effective health care services demonstrated in selected oblasts			
Indicator: Increased number of independent primary health care practices			
Unit of Measure: Number of primary health care practices (PHCP)	Year	Planned	Actual
	1996	20	51
Source: Project data base	1997	60	151
Indicator/Description: Increase in the number of independent primary health care practices (PHCP) actually staffed and providing services. *In 1997, the Government of Kazakhstan merged the two oblasts (provinces) comprising the health demonstration with two oblasts that had not been previously included. Therefore, targets and results from 1997 and before, cover somewhat different geographic regions than those for 1998 and after. Due to these mergers, progress in forming new practices was temporarily stalled. However, the potential area for expansion increased.	1998	151	151*
	1999	128**	453
	2000	460	NA
	2001	470	NA
	2002	480	NA
Comments: Regardless of changes in geographic boundaries of the health demonstration oblasts and a temporary slowing of progress in 1998, numbers of primary health care practices increased 200% from 1998 to 1999. **The target for 1999 was set based on an expectation of further consolidation in rural Semipalatinsk because of its merger into the East Kazakhstan Oblast. This is the last year to report on this indicator. Next year's indicators will change to reflect the new integrated health strategy: Increased Access to Quality Primary Health Care in Select Populations.			

Performance Data Table

Objective Name: Improved sustainability of social services			
Objective ID: 115-032-01			
Approved: 1996-01-01		Country/Organization: USAID Kazakhstan	
Result Name: IR 3.2.3: National legal, regulatory and policy framework for health sector embodies reforms			
Indicator: Laws and policies adopted on key reforms nationally			
Unit of Measure: Overall reform environment in relation to the following key reforms at the national level. (Also see Indicator/Description.) 1) Primary health care practices (PHCP) decree issued 2) Health sector NGOs formed 3) PHCP enrollment system in place 4) Provider payment systems and health insurance decrees established 5) Provider management information systems in place 6) Clinical protocols introduced	Year	Planned	Actual
	1998	2	3
	1999	3	3
	2000	3	NA
	2001	3	NA
	2002	4	NA
Source: GOK announcements, Contractor assessments and USAID monitoring			
Indicator/Description: The six health sector reforms listed above were identified as those most necessary to achieve reform at the national level. This IR is scored using a rating system applied to the key reforms listed above. The rating system is a 1-5 scale, with 1 defined as "no progress in a health reform area" and 5 as "sustainable reform at the national level". Scoring represents a qualitative assessment of the overall reform environment.			
Comments: There were enormous changes in national health institutions in 1999. The Ministry of Health, Education and Sport was disbanded, and reorganized twice- currently as the Agency on Health Care. The Center for Health Purchasing was reorganized and health facility funding was decentralized to local budgets. Leadership turnover has also been frequent.			

Performance Data Table

Objective Name: Improved sustainability of social services			
Objective ID: 115-032-01			
Approved: 1996-01-01		Country/Organization: USAID Kazakhstan	
Result Name: IR 3.2.2: Cost-effective health sector reforms adopted nationally			
Indicator: Increased percent of health care providers reimbursed by market-oriented payment systems			
Unit of Measure: Percentage of hospitals and outpatient care providers using market-oriented systems	Year	Planned	Actual
	1996	1	15
Source: Project data base	1997	30	59
Indicator/Description: Increased percentage of hospitals and outpatient care providers reimbursed by market-oriented payment systems.	1998	26	48
	1999	53	49
	2000	50	NA
	2001	55	NA
Comments: Although the percentage target was not met, in fact, the total number of providers reimbursed by market-oriented payment systems increased by 155% from 134 providers in 1998 to 342 in 1999. The increased size of the denominator in 1999 disguised the achievement and demonstrates one of the problems in using percents as indicators.	2002	60	NA
	Percents reported for 1996 and 1997 represent small pilot areas with few providers. The target for 1998 was set for a much larger geographic region with many more providers compared with previous years so it was anticipated that percentage results would initially be low.		
This is the last year to report on this indicator. Next year's indicators will change to reflect the new integrated strategy: Increased Access to Quality Primary Health Care in Select Populations.			

Country/Organization: Kazakhstan, USAID/CAR

Objective ID: 115-041-01

Objective Name: Special Initiatives: Preventive care services made available

Self-Assessment: On Track

Self-Assessment Narrative: Special initiatives are on track, but the size of the infectious disease (ID) problem in tuberculosis (TB), especially multi-drug resistant (MDR) TB and TB in prisons, as well as the emerging HIV/AIDS problem, has not been fully determined. Additional resources will likely be needed to achieve control of these diseases. Most alarming, new survey information indicates that infant mortality rates are increasing. This concern is addressed in SO3.2 although certainly ID is a contributor to higher infant death rates. The trends in reproductive health (RH) demonstrate that use of modern contraceptives is rising and abortion rates are lower than 1994. However, recent Demographic Health Survey results found 1999 abortion rates higher than expected, compared with Agency of Health Care data. Continued abortion rate declines will depend on expanding information services to more areas and making affordable modern contraceptive methods more available.

Primary Link to Agency Strategic Framework: 4.5 Infectious Diseases Reduced

Secondary Link to Agency Strategic Framework:

- | | |
|---|--|
| <input type="checkbox"/> 3.2 Higher Ed/Sustainable Development | <input checked="" type="checkbox"/> 4.1 Unintended Pregnancies Reduced |
| <input checked="" type="checkbox"/> 4.2 Infant/Child Health/Nutrition | <input checked="" type="checkbox"/> 4.3 Child Birth Mortality Reduced |
| <input checked="" type="checkbox"/> 4.4 HIV/AIDS | <input type="checkbox"/> 4.5 Infectious Diseases Reduced |

Link to U.S. National Interests: Global Issues: Environment, Population, Health

Primary Link to MPP Goals: Health

Secondary Link to MPP Goals (optional): Population

Summary of the SO:

Through congressionally-mandated directives, USAID supports important initiatives to improve the delivery of health care in ID, RH and health partnerships. These initiatives support and complement other USAID efforts to get basic health care to families. As Primary Health Care Practices (PHCP) continue to develop and expand throughout the country, these special initiatives are being integrated within the broader primary health care (PHC) infrastructure of the Agency of Health Care (AOHC). Given the scarcity of resources in the health sector, disease-specific campaigns cannot be sustained but must be integrated into the primary health care system.

USAID/CAR is promoting well-designed efforts to combat ID in selected geographic areas by increasing physician and laboratory capability to prevent, diagnose, and treat ID such as TB and hepatitis. In fact, Vice President Gore, in a direct meeting with President Nazarbaev, emphasized

US views on the importance of ID control. However, this is a region where the magnitude of the ID problem is only beginning to emerge. The global threat of TB strains resistant to treatment is significant in Kazakhstan since antibiotic treatment practices and the absence of strict controls on prescription drugs have exacerbated the problems of resistance.

USAID/CAR is working to make contraceptives available and accessible to women and men in order to decrease reliance on abortion. In cities where telephone hot lines are available, people are seeking more information about modern methods of family planning and are increasingly using these methods. Finally, USAID/CAR is facilitating health partnerships to strengthen PHC through the transfer of appropriate technology between U.S. institutions and local health counterparts. These initiatives have deepened our overall focus on improving the quality of PHC (SO 3.2).

Key Results:

USAID collaborated with the Government of Kazakhstan (GOK) in 1998 to develop the first policy on tuberculosis treatment in the region consistent with the improved World Health Organization (WHO) Directly Observed Treatment Short-course (DOTS) approach. DOTS decreases hospitalization and treatment time and returns people to their communities more quickly. GOK started DOTS in 21 sites nationwide and, by 1999, 14 of these sites were achieving cures in at least 75% of their patients with TB. USAID's substantial work with the GOK also paid off in the decline of TB deaths by 27.6% from 1998 to 1999 (38.4 deaths per 100,000 in 1998 to 27.8 in 1999). However, successful treatment of TB is dependent on many factors, for example, drug quality. USAID's assistance in the tendering process in Kazakhstan resulted in the purchase of high quality TB drugs for the entire country, thus not wasting money on ineffective drugs and increasing the number of people cured.

National Demographic and Health Survey^{1, 2} shows an improving picture in RH from 1995 to 1999. More couples are using modern contraceptive methods (46.1% of married women in 1995 compared with 52.8% in 1999) and the abortion rate had declined (57 per 1000 women aged 15-45 in 1995 compared with 47 per 1000 in 1999). On the other hand, this 1999 general abortion rate is higher than 1999 Agency of Health data. Although DHS typically reveals higher rates than official sources, these abortion rates are of concern and will require careful monitoring. Nevertheless, the overall abortion trend has fallen significantly over the past 6 years.

AT THE POLICY LEVEL, COUPLES NOW HAVE MORE SUPPORT FOR PLANNING FAMILY SIZE. THE AGENCY FOR DEMOGRAPHY AND MIGRATION ALTERED ITS PLANS TO IMPLEMENT A PROGRAM TO STIMULATE FERTILITY THROUGH THE INFLUENCE OF GOK DECISION-MAKERS EDUCATED IN A USAID-SPONSORED PROGRAM, WHO LEARNED TO RESEARCH THE IMPACT OF INCREASED FERTILITY THROUGH MODELING TECHNIQUES AND EDUCATED DECISION-MAKERS OF THE CONSEQUENCES.

Women in particular have increased access to reproductive information through a telephone hotline program that reaches 10 cities. Calls increased from 7,567 in 1998 to 17,546 in 1999. Commercial marketing of contraceptives has also made quality products available. For example, in the largest city, Almaty, sales of oral contraceptives have more than doubled in the past year and condom sales increased six-fold.

Performance and Prospects:

Overall progress in achieving special initiatives in 1999 was on track. Regarding TB, two midterm internal evaluations of the DOTS treatment sites indicated that initial results are positive. Establishment of a TB monitoring and evaluation system has been a key element of this success. A computerized case-based TB surveillance program has also been developed. USAID has mobilized donor resources to assist the Agency of Health Care in the adoption of a phased approach to national implementation of DOTS.

An ID assessment was also conducted to identify priorities for the coming year. The benchmarks that must be achieved for progress in control of TB in the upcoming budget year include: successful deployment of the computerized surveillance program in all 21 treatment sites; sufficient capacity developed among policy-makers to analyze resulting data and make informed decisions; completion of an advanced clinical and laboratory course by oblast TB specialists; and an increased TB cure rate.

Assessment recommendations for other ID included: conducting an investigation of an HIV outbreak in Temirtau, Karaganda Oblast; designing an NGO program to educate high-risk populations on HIV prevention; establishing an infectious diseases reference laboratory in Almaty; improving laboratory performance through training and quality assurance approaches; and building management capacity in the pharmaceutical sector.

USAID's efforts in RH will continue to concentrate on access to RH information through media campaigns and hotline services, with an immediate expansion planned to Temirtau, the HIV outbreak site. To focus on early prevention, adolescents will remain the particular targets of outreach efforts. Progress in the next year may include: expanding contraceptive sales through ensuring continued availability of information and affordable products; and integrating family planning services into Primary Health Care Practices so that people have choices in how they plan their families and can get this help in their own communities.

The health partnership program improved emergency health services, women's health care, and nursing education in selected geographic sites. The Women's Wellness Center continues to provide comprehensive health care services for women in Almaty. Two new partnerships are focusing on introducing community-based PHC to the capital city, Astana, and strengthening education programs in the School of Public Health in health services management and administration in Almaty.

Possible Adjustments to Plans:

An overall review of USAID's efforts was conducted in the summer of 1999 to develop a strategy for the future. In the coming year, ID, RH and partnership initiatives will all be integrated with health care reform to create a single strategy: Increased Access to Primary Health Care in Select Populations. Potential adjustments to plans within this new strategy could include: additional initiatives on HIV/AIDS; work on understanding and lessening the effects of the ID contributors to increased infant mortality; collaboration on Multi-Drug Resistant (MDR) TB in prisons; and expanded efforts in RH if the abortion decline is stalled.

Other Donor Programs:

USAID/CAR hosts a monthly ID Round Table to encourage collaboration among GOK, implementers, and donors. The World Bank is the major donor, particularly providing material resources to implement DOTS and coordinating with USAID in the purchase of laboratory equipment and reagents. WHO collaborated with USAID and the GOK in developing the TB Order consistent with WHO DOTS standards and provided technical assistance in DOTS implementation. Other donors active in the ID Round Table include Medecins Sans Frontieres- implementing two DOTS projects at district level, and Soros Foundation-financing projects in prisons that address MDR TB. In RH, United Nations Family Planning Association (UNFPA) is a major supplier of contraceptives for the public sector in five regions of Kazakhstan. This availability contributes to the declining abortion rate.

Major Contractors and Grantees:

In Infectious Disease control, Project Hope provides technical input in drafting major regulations on DOTS; conducts clinical and laboratory training for TB specialists, PHC doctors and nurses and epidemiologists; produces educational materials; and monitors DOTS implementation in 21 pilot sites. The Centers for Disease Control and Prevention (CDC) provide laboratory training, develop software for TB surveillance and provide training on that software. Abt Associates, Inc. finalizes guidelines for TB laboratories, develops prints and provides educational materials for health professionals and the public. Rational Pharmaceutical Management developed the TB tender instruction document the GOK used to purchase high quality TB drugs for the entire country. In RH, Deloitte and Touche work with commercial marketing of contraceptives; Futures Group educated decision-makers in modeling techniques and persuasive use of policy tools; and MACRO International designed and implemented a Demographic and Health Survey. American International Health Alliance (AIHA) arranges health partnerships.

Performance Data Table

Objective Name: Earmark-Reproductive Health			
Objective ID: 115-041-01			
Approved: 1997-01-01		Country/Organization: USAID Kazakhstan	
Result Name: N/A-Congressionally mandated earmark			
Indicator: Reduction in General Abortion Rate (GAR)			
Unit of Measure: Rate	Year	Planned	Actual
Source: Agency of Health Care (AOHC) and Demographic and Health Survey (DHS) 1995, 1999/Kazakhstan	1994	*	63.8
	1995	*	54.9
	1996	*	46.3
Indicator/Description: Induced abortions per 1000 women ages 15-49. AOHC data is annual calendar year data. 1999 results are not yet available. DHS data is reported for the three-year period prior to the survey, for women aged 15-44.	1997	43	40.2
	1998	40	40.9
	1999	39	35
	2000	34	NA
	2001	34	NA
Comments: The 1995 Kazakhstan Demographic and Health Survey (KDHS) shows a general abortion rate of 57, similar to the rate reported by the AOHC in 1995. However, the 1999 KDHS shows a rate of 47, which is high compared with 1999 AOHC data. However, regardless of differences between DHS and AOHC data, the DHS report concludes that between the 2 DHS surveys, abortion rates have fallen substantially in all age groups. * Reproductive health projects focuses on training prior to 1997. Targets on abortion rates were not set until the social marketing project was planned and implemented in 1996.	2002	33	NA

Performance Data Table

Objective Name: Earmark-Infectious Disease			
Objective ID: 115-041-01			
Approved: 1997-01-01		Country/Organization: USAID Kazakhstan	
Result Name: N/A-Congressionally mandated earmark			
Indicator: Increased number of Oblasts following DOTS procedure effectively			
Unit of Measure: Number of Oblasts	Year	Planned	Actual
Source: Centers for Disease Control and Prevention (CDC) in Central Asia and Project HOPE	1998	1	1
	1999	17	14
Indicator/Description: The Directly Observed Treatment - Short-course (DOTS) approach for treatment of tuberculosis patients has been approved by the World Health Organization as the most cost-effective treatment. There are a total of 21 pilot sites, including at least 1 site in each of the 14 Oblasts (provinces). These 14 sites are the central oblast TB dispensaries. DOTS is considered effective in sites if at least 75% of smear positive cases convert to smear negative after DOTS therapy.	2000	17	NA
	2001	17	NA
	2002	21	NA
Comments: * Objective comprehensive measurement of the results of DOTS implementation is only available 12-15 months after the beginning of DOTS. Therefore, the data presented here are the results of therapy for patients treated in 1998.			